

# OPEN MEETING ITEM

**COMMISSIONERS**  
BOB STUMP – Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH



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## ARIZONA CORPORATION COMMISSION

DATE: FEBRUARY 25, 2014

DOCKET NO.: W-02192A-13-0336

ORIGINAL

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2014 FEB 25 P 4 10

AZ CORP COMMISSION  
DOCKET CONTROL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Jane L. Rodda. The recommendation has been filed in the form of an Order on:

LITTLE PARK WATER COMPANY, INC.  
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

MARCH 6, 2014

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MARCH 11, 2014 and MARCH 12, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission  
**DOCKETED**

FEB 25 2014

DOCKETED BY

JODI JERICH  
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347  
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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail [SABernal@azcc.gov](mailto:SABernal@azcc.gov).

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

BOB STUMP – Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF  
LITTLE PARK WATER COMPANY, INC. FOR  
A PERMANENT RATE INCREASE.

DOCKET NO. W-02192A-13-0336  
DECISION NO. \_\_\_\_\_

**ORDER**

Open Meeting  
March 11 and 12, 2014  
Phoenix, Arizona

**BY THE COMMISSION:**

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

**FINDINGS OF FACT**

**Procedural History**

1. On October 4, 2013, Little Park Water Company, Inc. (“Little Park” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for a permanent increase in its water rates and charges (the “Application”). The same date, Little Park filed certification that on October 1, 2013, it mailed notice of its proposed rates and charges to its customers.
2. On October 25, 2013, Little Park filed an Amendment to its Application concerning its electricity use.
3. On November 1, 2013, the Commission’s Utilities Division (“Staff”) filed a Notice of Sufficiency informing Little Park that its Application was sufficient pursuant to Arizona Administrative Code (“A.A.C”) R14-2-103, and classifying the Company as a Class D utility.
- ...

1           4.    On January 15, 2014, Staff filed a Staff Report recommending that the rates and  
2 charges proposed by Staff be approved.

3           5.    On January 27, 2014, Little Park filed Comments to the Staff Report.

4           6.    The Commission received nine telephonic protests to the Application in response to  
5 the public notice.

6    **Company Background**

7           7.    Little Park is an Arizona "C" corporation, providing public water utility service in an  
8 area located between Sedona and the Village of Oak Creek, in Yavapai County, Arizona. Little Park  
9 is owned by Big Park Water Company ("Big Park") a nearby public service corporation.

10          8.    The Company's certificated area covers 0.8 square miles (approximately 488 acres).  
11 The Company operates two active wells, two arsenic removal systems, three storage tanks with a total  
12 storage capacity of 27,600 gallons, four booster pumps, two pressure tanks, and a distribution system.  
13 The Little Park system is interconnected with that of Big Park, and Little Park purchases water from  
14 Big Park when needed.

15          9.    During the test year ended June 30, 2013 ("TY"), Little Park served 73 metered  
16 customers, of which 33 were served by 5/8" x 3/4" meters, 10 served by 3/4" meters, 29 served by 1"  
17 meters, and one served by a 4" meter.

18          10.   The average and median water usage for the 5/8" x 3/4" meters during the TY were  
19 13,230 and 7,712 gallons per month, respectively.

20          11.   Staff reports that there were no complaints filed against the Company from February,  
21 2010, through December 20, 2013, except for the contacts from customers opposed to the requested  
22 rate relief.

23          12.   In the TY, the Company had a water loss of 2.8 percent, which is within the acceptable  
24 limit of 10 percent. Staff found that the Company has adequate production and storage capacity to  
25 serve the existing customer base and for reasonable growth.

26          13.   The Commission's Compliance Section database shows that there are no delinquent  
27 Commission compliance items for the Company. The Company is in good standing with the  
28

Commission's Corporations Division. Staff reports that the Company is current on its property and sales tax payments.

14. Little Park is not located in an Arizona Department of Water Resources ("ADWR") Active Management Area ("AMA"). ADWR has determined that Little Park is in compliance with ADWR requirements governing water providers and/or community water systems.

15. The Arizona Department of Environmental Quality ("ADEQ") reports that the Company is currently delivering water which meets the water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4.

16. Staff recommends that the Company file with the Commission's Docket Control, as a compliance item in this docket, within 90 days of the effective date of a Decision in this proceeding, at least three Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. The templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. Staff further recommends that a maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. Staff states that the Company may request recovery of the actual costs associated with the implementation of these BMPs in its next general rate case application.

17. The Company agrees to implement three BMP tariffs as recommended, but notes that the Staff Report does not provide recovery of the costs associated with these tariffs in this proceeding.<sup>1</sup>

#### **Rate Request**

18. Little Park's current rates and charges were approved in Decision No. 71840 (August 10, 2010).

19. Little Park states that it is seeking the current rate increase because the Company is not generating the level of revenues that was authorized in its last rate case. Little Park states that Decision No. 71840 authorized revenues of \$81,915, but that in the years ended June 30, 2012, and

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<sup>1</sup> Comments to the Staff Report.

1 2013, the Company's revenues were \$75,679 and \$72,654, respectively. The Company states that  
 2 although there was some growth in its service area (one 5/8 inch meter and four 1 inch meters), water  
 3 sales were lower than expected, which the Company attributes in part to conservation from the  
 4 inverted tiered rates. In addition, the Company states that it has experienced increased expenses, and  
 5 that since the last rate case, it has incurred costs related to arsenic media replacement which were not  
 6 reflected in the last case, as well as other costs related to the operation and maintenance of the arsenic  
 7 treatment facilities. The Company seeks a 17 percent operating margin which it asserts will provide a  
 8 debt service coverage ("DSC") ratio of 1.61.<sup>2</sup>

9         20. In its Application, Little Park reported TY revenues of \$72,654 and adjusted TY  
 10 operating expenses of \$78,565, resulting in an operating loss of \$5,911, for no return on its reported  
 11 original cost rate base ("OCRB") of \$113,227.

12         21. Little Park proposes to increase revenues by \$29,491, or 40.6 percent, from \$72,654 to  
 13 \$102,145, to produce operating income of \$17,378, a 15.35 percent rate of return on a rate base of  
 14 \$113,227, and a 17.01 percent operating margin.

15         22. Staff's review resulted in TY operating revenues of \$74,446 and total operating  
 16 expenses of \$76,717, producing a TY operating loss of \$2,271 for no return on a Staff-adjusted  
 17 OCRB of \$97,839.

18         23. Staff recommends a revenue increase of \$15,061, or 20.2 percent, for total revenues of  
 19 \$89,507, which after adjusted operating expenses of \$79,954, results in operating income of \$9,553, a  
 20 9.76 percent rate of return on an OCRB of \$97,839, and a 10.67 percent operating margin.

21         24. Staff's adjustments decreased the Company's proposed rate base by \$15,388, from  
 22 \$113,227 to \$97,839. Staff's rate base adjustments included the following:

23                 (a) Decreasing the franchises account by \$769, from \$10,091 to \$9,322, to reflect the  
 24 \$140 balance established in Decision No. 71840 (the last rate case) and a \$9,182 increase in  
 25 franchises supported by documentation;

26 ...

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28 <sup>2</sup> Application at 4.

1 (b) Decreasing pumping equipment by \$14,762, from \$64,315 to \$49,553, to reflect  
2 the \$39,050 balance established in Decision No. 71840, a \$24,782 increase supported by  
3 documentation, and \$14,279 in plant retirements;

4 (c) Decreasing water treatment plant by \$2,532, from \$267,091 to \$264,559, to reflect  
5 the \$264,559 balance established in Decision No. 71840 and disallowance of \$2,532 in capitalized  
6 interest on an unauthorized loan;

7 (d) Decreasing transmission and distribution mains by \$3,936, from \$665,859 to  
8 \$661,923, to reflect the \$661,923 balance established in Decision No. 71840 and the disallowance of  
9 \$3,936 associated with the Camp Eagle Project which is not used and useful;

10 (e) Increasing other plant and miscellaneous equipment by \$1,662, from 0 to \$1,662,  
11 to reflect the balance established in Decision No. 71840, and decreasing miscellaneous equipment by  
12 \$1,662, from \$1,662 to \$0;

13 (f) Decreasing accumulated depreciation by \$6,823, from \$422,820 to \$415,997, to  
14 reflect the balance established in Decision No. 71480 and Staff's adjustments to plant in service  
15 balances; and

16 (g) Decreasing cash working capital by \$212, from \$5,669 to \$5,457 as a result of  
17 applying the formula method for establishing a working capital balance and Staff's adjustments to the  
18 Company's operating and maintenance expenses.

19 25. In its Comments to the Staff Report, Little Park disagreed with the removal from the  
20 water treatment equipment account of \$2,532 associated with the capitalized interest. The Company  
21 claims the interest represents the allowance for funds used during construction ("AFUDC").  
22 According to the Company, there is no dispute that Little Park incurred AFUDC, and that the  
23 Commission allowed AFUDC in the prior rate case plant costs. The Company asserts that there may  
24 have been a dispute over whether the short-term construction financing provided by Big Park should  
25 have been authorized, but the AFUDC was incurred and should be allowed.<sup>3</sup>

26 <sup>3</sup> In Decision No. 72667 (November 17, 2011), the Commission authorized Little Park to incur long-term debt in an  
27 amount not to exceed \$140,000, at no more than 7 percent interest per year for the purpose of financing the existing  
28 arsenic treatment facilities by repaying a bridge loan from Big Park. According to the discussion in Decision No. 72667,  
Little Park had obtained a loan from its parent, Big Park, to install the arsenic treatment facilities, expecting the loan to be  
repaid from arsenic hook-up fees in less than a year. The Company believed that as a short-term loan, it would not require

1        26. Staff's beginning balance for water treatment plant in this case is \$264,559, which is  
2 the same as in the last rate case.<sup>4</sup> There have been no additions recorded to the water treatment plant  
3 account since the last rate Decision. Accordingly, there has been no construction work in progress to  
4 which AFUDC would be applied. Therefore, we adopt an OCRB of \$97,839, as recommended by  
5 Staff.

6        27. The Company did not provide Reconstruction Cost New less Depreciation rate base  
7 data. Based on the foregoing, we find that Little Park's fair value rate base ("FVRB") is \$97,939,  
8 which is the same as its OCRB.

9 **Operating Income**

10        28. Staff's adjustments to TY operating revenue increased total revenue by \$1,792, from  
11 \$72,654 to \$74,446. Staff's adjustments included increasing metered water revenue by \$1,248 and  
12 "other water revenue" by \$544.

13        29. Staff adjustments to TY operating expenses decreased TY total expenses by a net of  
14 \$1,847, from \$78,564 to \$76,717. Staff's adjustments included:

15            (a) Decreasing repairs and maintenance expense by \$126, from \$13,475 to  
16 \$13,349, to conform to the supporting documentation provided by the Company;

17            (b) Decreasing rate case expense by \$1,000, from \$3,500 to \$2,500. Staff utilized a  
18 \$7,500 rate case expense and normalized it over three years. Staff based its recommendation on the  
19 \$7,500 total rate case expense and normalization period of three years authorized in the last rate  
20 case, and Staff's belief that the current rate case involved less effort than the previous case because  
21 it has only been three years since that prior case;<sup>5</sup>

22            (c) Decreasing miscellaneous expense by \$618, from \$837 to \$219, to conform  
23 with supporting documentation;

24            (d) Decreasing depreciation expense by \$1,905, from \$20,111 to \$18,206, to  
25 reflect application of Staff's recommended depreciation rates to Staff's recommended plant

26  
27 Commission approval. The hook-up fees did not materialize as expected, apparently due to the cancellation of a major  
line extension project.

28 <sup>4</sup> Staff Report schedule DRE-2 in Docket No. W-02192-09-0531.

<sup>5</sup> The last rate case was the first one in 19 years.

1 balances. Staff recommends that the Company be ordered to use the depreciation rates presented in  
2 Table B of the Engineering Report attached to the Staff Report;

3 (e) Increasing property tax expense by \$157, from \$2,544 to \$2,701, based on a  
4 modified version of the Arizona Department of Revenue's property tax method; and

5 (f) Increasing income taxes by \$1,596, from negative \$3,553 to negative \$1,957,  
6 to reflect Staff's calculation of income taxes based on synchronized interest and Staff's adjustments  
7 to operating revenue and expenses.

8 30. The Company's Comments to the Staff Report did not dispute Staff's adjustments to  
9 TY revenues or operating expenses. Staff's adjustments to operating revenues and expenses are  
10 reasonable and we adopt them.

11 31. Based on the foregoing we find that in the TY, Little Park had an operating loss of  
12 \$2,271, based on total operating revenue of \$74,446 and total adjusted operating expenses of  
13 \$76,717.

14 **Revenue Requirement**

15 32. Staff recommends total operating revenue of \$89,507, an increase of \$15,061, or 20.23  
16 percent over TY revenues. Staff's recommended total revenue level provides operating income of  
17 \$9,553, a 9.76 percent rate of return on the FVRB, and would yield a cash flow after debt service of  
18 \$15,723, and an operating margin of 10.67 percent.<sup>6</sup>

19 33. In Decision No. 72667, the Commission authorized Little Park to borrow up to  
20 \$140,000 at an interest rate not to exceed 7 percent per annum. Little Park's rate application  
21 indicates that it obtained a loan from Southwest Bank with an interest rate of 6 percent, and with an  
22 outstanding balance of \$134,658. The reported annual interest expense is \$7,926, and principal  
23 obligation of \$4,109.24. The loan matures December 1, 2018.

24 34. In its Comments to the Staff Report, the Company argues that the operating margin  
25 recommended by Staff is too low, and that after paying the interest expense on its long-term debt,  
26 the Company would have a net income of only \$1,650, which it claims would not provide a  
27

28 <sup>6</sup> Staff Report at Schedule PNT-6.



1 sufficient cushion to weather even a modest fluctuation in revenues or expenses. Furthermore, based  
2 on its experience after its last rate case, the Company believes that it is unlikely that it will generate  
3 the authorized revenues. The Company claims that its TY revenues are “nearly \$10,000 lower than  
4 the authorized revenues in the prior rate case.”<sup>7</sup> The Company argues that the combination of lower  
5 than authorized revenues, plus higher expenses, will lead to further losses and necessitate filing a  
6 rate case sooner than the anticipated three years. The Company believes that it is not in the public  
7 interest to approve rates that will cause it not to recover its costs of service and to incur operating  
8 losses.

9       35. There is no indication that Staff’s recommended rates would lead to operating losses.  
10 The prior rate case was the first rate case since 1991, and was the first time the Company  
11 implemented tiered rates. The most dramatic effect of the conservation oriented rates would  
12 naturally be felt after such a structural change. Further, the operating costs of the arsenic treatment  
13 facilities installed in 2009 were not known or fully captured in the last rate case which used a test  
14 year of June 30, 2009. The additional expenses are captured in this proceeding, and the Company  
15 has not provided any evidence that the adjusted TY expenses are not reasonable. The Company’s  
16 focus on net income in its objection to Staff’s recommended revenue level does not take into account  
17 the non-cash expense associated with depreciation expense that is being recovered in rates. Staff’s  
18 recommended revenue results in an annual cash flow after debt service of \$15,723. After accounting  
19 for the Company’s Refunds of Advances in Aid of Construction, the Company would have an  
20 unencumbered cash flow of \$9,666. Staff revenue recommendation results in an operating margin of  
21 10.56 percent and a DSC of 2.40 before taxes, and 2.31 after taxes.<sup>8</sup> The Company does not  
22 anticipate significant capital improvements over the next three years.<sup>9</sup> Under the facts as presented,  
23 Staff’s recommended revenue level is sufficient to cover the Company’s operating expenses and  
24 provide funds for contingencies. Consequently, we adopt Staff’s recommended revenue level.

25 <sup>7</sup> Comments to Staff Report at 2. Decision No. 71840 authorized total revenues of \$81,915, compared to TY revenues of  
26 \$74,446 adopted in this proceeding. The difference is \$7,469. The Company appears to be comparing TY revenues as  
presented in its Application before Staff’s adjustments. The Company did not dispute Staff’s adjustments.

27 <sup>8</sup> Staff Report at Schedule PNT-6. The Company claims that its revenue level results in a DSC of 1.6, however, using the  
revenues and adjusted expenses contained in the Application and the Commission’s methodology for calculating DSC,  
(Operating Income + Depreciation + Income Tax) ÷ (Principal + Interest), produce a DSC of 3.3.

28 <sup>9</sup> Application at 3.

1 **Rate Design**

2 36. Little Park's current rates and charges, those proposed in the Application, and as  
3 recommended by Staff are as follows

<u>MONTHLY USAGE CHARGES:</u>	Present	<u>Proposed Rates</u>	
	<u>Rates</u>	<u>Company</u>	<u>Staff</u>
5/8" x 3/4" Meter	\$ 16.00	\$ 24.00	\$ 19.50
3/4" Meter	24.00	36.00	30.00
1" Meter	40.00	60.00	49.00
1-1/2" Meter	80.00	120.00	97.00
2" Meter	128.00	192.00	156.00
3" Meter	256.00	384.00	312.00
4" Meter	400.00	600.00	488.00
6" Meter	800.00	1,200.00	975.00
Gallons in Minimum	0	0	0
<u>COMMODITY RATES (Per 1,000 Gallons):</u>			
<u>1" Meter and Smaller (Residential)</u>			
First 3,000 gallons	\$1.70	\$ 2.25	\$ 1.75
3,001 to 10,000 gallons	2.60	3.40	3.00
Over 10,000 gallons	3.10	4.15	4.08
<u>1" Meter (Non-Residential)</u>			
First 32,000 gallons	2.60	3.40	N/A
Over 32,000 gallons	3.10	4.15	N/A
First 26,000 gallons	N/A	N/A	3.00
Over 26,000 gallons	N/A	N/A	4.08
<u>1 1/2" Meter (All Classes)</u>			
First 106,000 gallons	2.60	3.40	N/A
Over 106,000 gallons	3.10	4.15	N/A
First 69,000 gallons	N/A	N/A	3.00
Over 69,000 gallons	N/A	N/A	4.08
<u>2" Meter (All Classes)</u>			
First 195,000 gallons	2.60	3.40	N/A
Over 195,000 gallons	3.10	4.15	N/A
First 120,000 gallons	N/A	N/A	3.00
Over 120,000 gallons	N/A	N/A	4.08
<u>3" Meter (All Classes)</u>			
First 434,000 gallons	2.60	3.40	N/A
Over 434,000 gallons	3.10	4.15	N/A
First 260,000 gallons	N/A	N/A	3.00
Over 260,000 gallons	N/A	N/A	4.08
<u>4" Meter (All Classes)</u>			
First 545,000 gallons	2.60	3.40	N/A
Over 545,000 gallons	3.10	4.15	N/A
First 420,000 gallons	N/A	N/A	3.00
Over 420,000 gallons	N/A	N/A	4.08

6" Meter (All Classes)

First 755,000 gallons	2.60	3.40	3.00
Over 755,000 gallons	3.10	4.15	4.08

Standpipe, Bulk Water

Per 1,000 gallons	3.10	4.15	4.08
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Little Park and Staff both proposed that the Company retain its existing Service Line and Meter Charges as follows:

<u>Service Line and Meter Installation Charges</u>	<u>Service Line Charges</u>	<u>Meter Charges</u>	<u>TOTAL</u>
5/8" x 3/4" Meter	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	445.00	255.00	700.00
1" Meter	cost	Cost	cost
1-1/2" Meter	cost	cost	cost
2" Turbine	cost	cost	cost
2" Compound	cost	cost	cost
3" Turbine	cost	cost	cost
3" Compound	cost	cost	cost
4" Turbine	cost	cost	cost
4" Compound	cost	cost	cost
6" Turbine	cost	cost	cost
6" Compound	cost	cost	cost

<u>SERVICE CHARGES:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	
		<u>Company</u>	<u>Staff</u>
Establishment	\$ 20.00	\$ 20.00	\$ 20.00
Establishment (After Hours)	40.00	Remove	N/A
Reestablishment (within 12 months)	*	*	*
Reconnection (Delinquent)	\$ 20.00	\$ 20.00	\$ 20.00
Meter Test (If Correct)	30.00	30.00	30.00
Deposit	**	**	**
Deposit Interest (Per Annum)	**	**	**
NSF Check	\$ 15.00	\$ 15.00	\$ 15.00
Deferred Payment (Per Month)	1.5%	1.5%	1.5%
Meter Re-read (If Correct)	\$ 15.00	\$ 15.00	\$ 15.00
Late Payment Charge (Per Month)	1.5%	1.5%	1.5%
Moving Customer Meter (Customer Request)	At Cost	At Cost	At Cost
After Hours Service Charge (at customers request)	\$50.00	\$50.00	\$50.00

## Fire Sprinkler

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\* Number of months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

\*\* Per Commission Rule A.A.C. R14-2-403(B).

\*\*\* 2.0 percent of Monthly Minimum for a comparable sized meter connection, but no less than \$10 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

1 All items billed at cost shall include labor, materials, and parts and all applicable taxes.

2 37. Staff recommends that the Company be ordered to file, within 30 days after the  
3 effective date of this Decision, with the Commission's Docket Control, a tariff schedule of its  
4 approved rates and charges.

5 38. Staff and the Company both propose rate structures that include a three tier inverted  
6 inclining block structure for the 1 inch and smaller meters serving residential customers and two tiers  
7 for the non-residential and larger meter sizes. They propose different rates and different break-over  
8 points for the tiers based on their revenue proposals and theories of rate design.

9 39. Little Park's proposed revenues and rate schedule would increase the average 5/8" x 3/4"  
10 meter bill with an average usage of 13,230 gallons by \$18.64, or 37.8 percent, from \$49.31 to \$67.95,  
11 and increase the median (7,712 gallons) monthly customer bill by \$13.42, or 40.24 percent, from  
12 \$33.35 to \$46.77.

13 40. Staff's recommended rates would increase the average 5/8" x 3/4" meter monthly bill  
14 by \$9.62, or 19.51 percent, from \$49.31 to \$58.93; and increase the median monthly customer bill by  
15 \$5.53, or 16.58 percent, from \$33.35 to \$38.88.

16 41. The Company strongly disagreed with Staff's recommended rate design because  
17 according to the Company it recovers "less than 33 percent of revenues" from the monthly service  
18 charge and keeps the first tier commodity rate relatively low which requires more revenue recovery  
19 from the higher priced commodity rates. The Company argues that Staff's rate design will lead to  
20 higher revenue instability. The Company believes that its inability to earn the revenue level  
21 authorized in the last rate case was due to water conservation that significantly impacted revenues.

22 42. Under Staff's recommended rates, approximately 39.8 percent of total metered  
23 revenues is derived from the monthly charge; an additional 20.6 percent derives from the first tier  
24 rates. We find that Staff's rate structure is reasonable and promotes rate stability while still giving  
25 ratepayers some control over their bills.

26 43. We also approve the parties' recommended service line and meter charges and  
27 miscellaneous charges.  
28

**Miscellaneous**

44. The Company has agreed to implement three BMPs as recommended by Staff. We adopt Staff's recommendation. The Company may seek recovery of the costs associated with these tariffs, once they are known and measurable, in its next rate case.

45. Because an allowance for property tax expense of the Company is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligations to pay the taxes that were collected from ratepayers, some for as many as 20 years. It is reasonable, therefore, that as a preventive measure, the Company shall annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

**CONCLUSIONS OF LAW**

1. Little Park is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Little Park and the subject matter of the application.

3. Notice of the application was provided in the manner prescribed by law.

4. Under the circumstances discussed herein, the rates, charges and conditions of service authorized herein are just and reasonable.

**ORDER**

IT IS THEREFORE ORDERED that Little Park Water Company, Inc. is hereby directed to file, with Docket Control, as a compliance item in this docket, on or before on or before April 1, 2014, revised rates schedule setting forth the following rates and charges:

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...

...

1 MONTHLY USAGE CHARGES:

2	5/8" x 3/4" Meter	\$ 19.00
	3/4" Meter	30.00
3	1" Meter	49.00
	1-1/2" Meter	97.00
4	2" Meter	156.00
	3" Meter	312.00
5	4" Meter	488.00
	6" Meter	975.00

6 COMMODITY RATES (Per 1,000 Gallons):

7 1" Meter and Smaller (Residential)

8	First 3,000 gallons	\$ 1.75
	3,001 – 10,000 gallons	3.00
9	Over 10,000 gallons	4.08

10 1" Meter (Non-Residential)

11	First 26,000 gallons	3.00
	Over 26,000 gallons	4.08

12 1 1/2" Meter (All Classes)

13	First 69,000 gallons	3.00
	Over 69,000 gallons	4.08

14 2" Meter (All Classes)

15	First 120,000 gallons	3.00
	Over 120,000 gallons	4.08

16 3" Meter (All Classes)

17	First 260,000	3.00
	Over 260,000	4.08

18 4" Meter (All Classes)

19	First 420,000 gallons	3.00
	Over 420,000 gallons	4.08

20 6" Meter (All Classes)

21	First 755,000 gallons	3.00
	Over 755,000 gallons	4.08

22 Standpipe, Bulk Water

23	Per 1,000 gallons	4.08
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Service Line and Meter Installation Charges:  
(Refundable Pursuant to A.A.C. R14-2-405)

	<u>Service Line Charge</u>	<u>Meter Charges</u>	<u>TOTAL</u>
5/8" x 3/4" Meter	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	445.00	255.00	700.00
1" Meter	cost	cost	cost
1-1/2" Meter	cost	cost	cost
2" Meter	cost	cost	cost
3" Meter	cost	cost	cost
4" Meter	cost	cost	cost
6" Meter	cost	cost	cost

SERVICE CHARGES:

Establishment	\$ 20.00
Reestablishment (within 12 months)	*
Reconnection (Delinquent)	20.00
Meter Test (If Correct)	30.00
Deposit	**
Deposit Interest (Per Annum)	**
Re-establishment (Within 12 Months)	**
NSF Check	\$15.00
Deferred Payment( Per Month)	1.5%
Meter Re-read (If Correct)	\$15.00
Late Payment Charge Per Month	1.5%
Moving Customer Meter (Customer Request)	At Cost
After Hours Service Charge (at customer request)	\$50.00

Fire Sprinkler \*\*\*

\* Number of months off system times the monthly minimum per Commission Rule A.A.C. R14-2-403(D).

\*\* Per Commission Rule A.A.C. R14-2-403(B).

\*\*\*\* 2.0 percent of Monthly Minimum for a comparable sized meter connection, but no less than \$10 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

All items billed at cost shall include labor, materials, and parts and all applicable taxes.

IT IS FURTHER ORDERED that Little Park Water Company, Inc. shall notify its customers of the rates and charges authorized hereinafter and the effective date of same by means of an insert, in a form acceptable to Staff, in its next monthly bill or by separate mailing and file copies of the notice when sent to its customers with the Commission's Docket Control, as a compliance item in this docket.

IT IS FURTHER ORDERED that in addition to the collection of its regular rates and charges, Little Park Water Company, Inc., shall collect from its customers their proportionate share of any

1 privilege, sales or use tax as provided in A.A.C. R14-2-409(D).

2 IT IS FURTHER ORDERED that Little Park Water Company, Inc. shall file within 90 days  
3 of the effective date of this Decision, with the Commission's Docket Control, as a compliance item in  
4 this docket, at least three BMPs (a maximum of two may come from the "Public Awareness/Public  
5 Relations" or "Education and Training" categories) in the form of tariffs that substantially conform to  
6 the templates created by Staff (and available on the Commission's website at  
7 <http://www.azcc.gov/Divisions/Utilities/forms.asp>) for the Commission's review and consideration.

8 IT IS FURTHER ORDERED that Little Park Water Company, Inc. shall use the depreciation  
9 rates presented in Table B of the Engineering Report attached to the Staff Report in this matter.

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1 IT IS FURTHER ORDERED that Little Park Water Company, Inc. shall annually file as part  
2 of its Annual Report, an affidavit with the Utilities Division attesting that the Company is current in  
3 paying its property taxes in Arizona.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION  
6  
7

8 CHAIRMAN

COMMISSIONER

10 CHAIRMAN

COMMISSIONER

COMMISSIONER

12 IN WITNESS WHEREOF, I, JODI A. JERICH, Executive  
13 Director of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
Commission to be affixed at the Capitol, in the City of Phoenix,  
this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

16  
17 JODI A. JERICH  
EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_  
20

21 DISSENT \_\_\_\_\_  
22 JLR:tv

1 SERVICE LIST FOR: LITTLE PARK WATER COMPANY, INC.

2 DOCKET NO.: W-02192A-13-0336

3

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